

Debt Service

Repayment of Loans and Interest
 Repayment of General Fund Deficit
 Short-Term Borrowings
 Certificates of Participation

Description	FY 2003 Approved	FY 2004 Proposed	% Change
Repayment of Loans and Interest	\$257,951,000	\$312,284,128	21.1
Repayment of Deficit	\$39,300,000	\$0	-100.0
Short-Term Borrowing	\$1,000,000	\$3,000,000	200.0
Certificates of Participation	\$7,950,000	\$4,911,075	-38.2

The mission of Debt Service administration is to exercise fiscally responsible debt management practices to lower the cost of borrowing for the District of Columbia and pay down existing debt as amortized.

In addition to reducing the District's outstanding debt, timely debt service payments are necessary to satisfy the District's commitments to its investors (bondholders and lending institutions) and maintain good credit standing in the financial markets.

Under the District of Columbia Home Rule Act, the District may issue debt to finance capital projects or seasonal cash needs, subject to a limitation that was modified by the 1997 National Capital Revitalization and Self-Government Improvement Act.

Specifically, no long-term (general obliga-

tion) debt (other than re-funding existing debt) may be issued that would cause the payment of principal and interest on all long-term debt to exceed 17 percent of the revenue of the fiscal year in which the debt was issued.

As of September 30, 2002, debt service represented 7.8 percent of revenue, an increase from 6 percent as of September 30, 2001. The District's total outstanding long-term debt as of September 30, 2002, was \$2.67 billion.

Appropriations are budgeted from Local funds in amounts sufficient to meet the required payments for the various types of debt service. Table 1 shows the source of funding for debt service.

Did you know...

D.C. per capita debt	\$4,682
Debt service as a percent of revenue	6.0
Total long term debt not including WASA debt	\$2,582,017,000

(Source: FY 2001 CAFR page 120)

Gross Funds

The proposed budget is \$320,195,203, representing a change of 4.57 percent over the FY 2003 Gross Funds budget of \$306,201,000. There are no FTEs for this agency.

Where the Money Comes From

Appropriations are budgeted from Local funds, as shown in the tables below.

Table DS0-1

FY 2004 Proposed Operating Budget, by Revenue Type

(dollars in thousands)

Repayment of Loans and Interest

	Actual FY 2001	Actual FY 2002	Approved FY 2003	Proposed FY 2004	Change From FY 2003	Percent Change
Local Fund	228,364	233,251	257,951	312,284	54,333	21.1
Total for General Fund	228,364	233,251	257,951	312,284	54,333	21.1
Gross Funds	228,364	233,251	257,951	312,284	54,333	21.1

Table ZD0-1

(dollars in thousands)

Repayment of General Fund Deficit

	Actual FY 2001	Actual FY 2002	Approved FY 2003	Proposed FY 2004	Change From FY 2003	Percent Change
Local Fund	38,366	38,931	39,300	0	-39,300	-100.0
Total for General Fund	38,366	38,931	39,300	0	-39,300	-100.0
Gross Funds	38,366	38,931	39,300	0	-39,300	-100.0

Table ZA0-1

(dollars in thousands)

Short-Term Borrowings

	Actual FY 2001	Actual FY 2002	Approved FY 2003	Proposed FY 2004	Change From FY 2003	Percent Change
Local Fund	0	0	1,000	3,000	2,000	200.0
Total for General Fund	0	0	1,000	3,000	2,000	200.0
Gross Funds	0	0	1,000	3,000	2,000	200.0

Table CP0-1

(dollars in thousands)

Certificate of Participation

	Actual FY 2001	Actual FY 2002	Approved FY 2003	Proposed FY 2004	Change From FY 2003	Percent Change
Local Fund	7,929	7,924	7,950	4,911	-3,039	-38.2
Total for General Fund	7,929	7,924	7,950	4,911	-3,039	-38.2
Gross Funds	7,929	7,924	7,950	4,911	-3,039	-38.2

How the Money is Allocated

Debt Service is funded through Local Funds as shown in the tables below.

Table DS0-2

FY 2004 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Repayment of Loans and Interest

	Actual FY 2001	Actual FY 2002	Approved FY 2003	Proposed FY 2004	Change from FY 2003	Percent Change
80 Debt Service	228,364	0	257,951	312,284	54,333	21.1
82 Debt Svc Princ Retired-GAAP	0	112,262	0	0	0	0.0
84 Debt Svc Interest-GAAP	0	116,245	0	0	0	0.0
85 Debt Svc Fisc Chrg Refund GAAP	0	4,744	0	0	0	0.0
Subtotal Nonpersonal Services (NPS)	228,364	233,251	257,951	312,284	54,333	21.1
Total Proposed Operating Budget	228,364	233,251	257,951	312,284	54,333	21.1

Table ZD0-2

(dollars in thousands)

Repayment of General Fund Deficit

	Actual FY 2001	Actual FY 2002	Approved FY 2003	Proposed FY 2004	Change from FY 2003	Percent Change
80 Debt Service	38,366	0	39,300	0	-39,300	-100.0
84 Debt Svc Interest-GAAP	0	38,931	0	0	0	0.0
Subtotal Nonpersonal Services (NPS)	38,366	38,931	39,300	0	-39,300	-100.0
Total Proposed Operating Budget	38,366	38,931	39,300	0	-39,300	-100.0

Table ZA0-2

(dollars in thousands)

Short-Term Borrowings

	Actual FY 2001	Actual FY 2002	Approved FY 2003	Proposed FY 2004	Change from FY 2003	Percent Change
80 Debt Service	0	0	1,000	3,000	2,000	200.0
Subtotal Nonpersonal Services (NPS)	0	0	1,000	3,000	2,000	200.0
Total Proposed Operating Budget	0	0	1,000	3,000	2,000	200.0

Table CP0-2

(dollars in thousands)

Certificate of Participation

	Actual FY 2001	Actual FY 2002	Approved FY 2003	Proposed FY 2004	Change from FY 2003	Percent Change
80 Debt Service	7,929	7,924	7,950	4,911	-3,039	-38.2
Subtotal Nonpersonal Services (NPS)	7,929	7,924	7,950	4,911	-3,039	-38.2
Total Proposed Operating Budget	7,929	7,924	7,950	4,911	-3,039	-38.2

General Fund

Local Funds. The proposed budget for Repayment of Loans and Interest is \$312,284,128, an increase of \$54,333,128 over the FY 2003 approved budget of \$257,951,000. There is no proposed budget for Repayment of the General Fund Debt in FY 2004. For Short-Term Borrowings, the proposed budget is \$3,000,000, an increase of \$2,000,000 over FY 2003. For the Certificates of Participation, the proposed fund budget is \$4,911,075, a decrease of \$3,038,925 from FY 2003.

Debt Service represents principal and interest payments associated with the District's financing activities. Consistent with prudent fiscal policies, the District finances the construction or acquisition of capital assets by issuing debt. Debt Service for the District of Columbia includes four different financing methods:

- Repayment of Loans and Interest (DS0) represents debt service costs on long-term general obligation bonds, which are associated with the District's borrowings to finance capital improvement projects for general fund agencies. For FY 2004, the proposed level of debt service for repayment of loans and interest totals \$312,284,128. This amount includes \$293,316,113 and \$18,968,015 for existing and new capital projects, respectively.
- Repayment of General Fund Deficit (ZD0) represents debt service associated with financing the District's \$331.6 million general fund deficit accumulated as of the end of FY 1990. The District made its final repayment on that deficit in FY 2003.
- Short-Term Borrowings (ZA0) represents

interest and other costs associated with District borrowings to meet short-term seasonal cash needs. For FY 2004, the proposed debt service for financing costs for short-term borrowing totals \$3,000,000. It is projected that the FY 2004 funding requirement will escalate from an approved \$1.0 to \$3.3 million. This is based on Tax Revenue Anticipation Notes (TRANs) of approximately \$150,000,000 calculated at 1.75 percent interest. The FY 2004 request is based on TRANs of \$150,000,000 calculated at 3 percent interest that will be repaid in 8 months.

- Certificates of Participation (CP0) represents semi-annual lease payments due on land for the One Judiciary Square building located at 441 4th Street, NW. For FY 2004, debt service for the certificates of participation totals \$4,911,075. As a result of refunding FY 2003 bonds, the District realized a debt service savings of \$3,038,925 or 38 percent.

**Pro-Forma
Computation of Legal Debt Limitation**
Projected as of the end of FY 2003
(\$000s)

Revenues:

General Fund:	
Total Local Revenues	\$ 3,784,231

Debt Service Expenditures (FY 2003):

General Fund:	
Principal	\$ 142,037
Interest	\$ 172,663
Total principal and interest (debt service) (FY 2003)	\$ 314,701

Highest future year debt service cost (current obligations)	\$ 335,915
Percentage of highest annual debt service to FY 2003 revenues*	8.88%

* Under the District of Columbia Home Rule Act, no long-term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount that would cause the amount of principal and interest (debt service) payable in any fiscal year on all outstanding long-term general obligation debt to exceed 17% of the estimated total local revenues of the fiscal year in which the debt is to be issued.

Chart G-1

Computation of Legal Debt Limitation



